

4. Bilateral Trade Agreements

Canada has recently concluded bilateral free trade agreements with Chile and Israel. These are smaller-scaled agreements modeled on the NAFTA.

**b) Basic Principles of International Trade Law**

The law of international trade is both wide-ranging and complex. A document such as this cannot properly cover even the basic principles of such a broad field. This discussion should therefore be seen only as an introduction to some of the most basic elements of the law of international trade.

1. "Most Favoured Nation" Treatment

This obligation is found in both the GATT and the NAFTA. Where Canada grants most favoured nation (MFN) status to another country, it is promising to treat that country's products or services no less favourably than it treats any other country's products or services. Thus, a preference granted to the goods of one country must be extended, immediately and unconditionally, to the like goods of all MFN countries. This is an important obligation, since the GATT requires that all member states accord each other's goods MFN treatment. Canada must thus extend any preference to most of the world's countries. Note, however, that there are exceptions for preferences accorded within the framework of a regional free trade association. The MFN principle generally applies to border measures like tariffs, although it also applies to measures affecting the internal sale, offering for sale, purchase, transportation, distribution and use of products. It can be applied to both goods and services; in addition, NAFTA extends it to investors from all NAFTA states.

2. National Treatment

This principle originates in the GATT 1947, which requires that internal law not be used to afford protection to domestic production. Internal law includes internal taxes and all laws and regulations affecting the internal sale, offering for sale, purchase, transportation, distribution or use of products. No imported goods shall be subject to internal taxes or charges in excess of those applied to like domestic products, and such taxes cannot be otherwise applied so as to afford protection to domestic production. NAFTA has expanded the concept for its own purposes. Under that agreement, the parties must extend national treatment to the investors and service providers of the other NAFTA parties. Treatment accorded to them shall be no less favourable than that accorded to Canadian investors and service providers.